NCDOT Funding Overview

Joint Appropriations Subcommittee on Transportation

Mark L. Foster, CFO H. Tasaico February 16, 2011



Transportation Outlook

NCDOT Funding Sources
Transportation Funding Equity
Cash Management
Finance Strategy
Conclusions

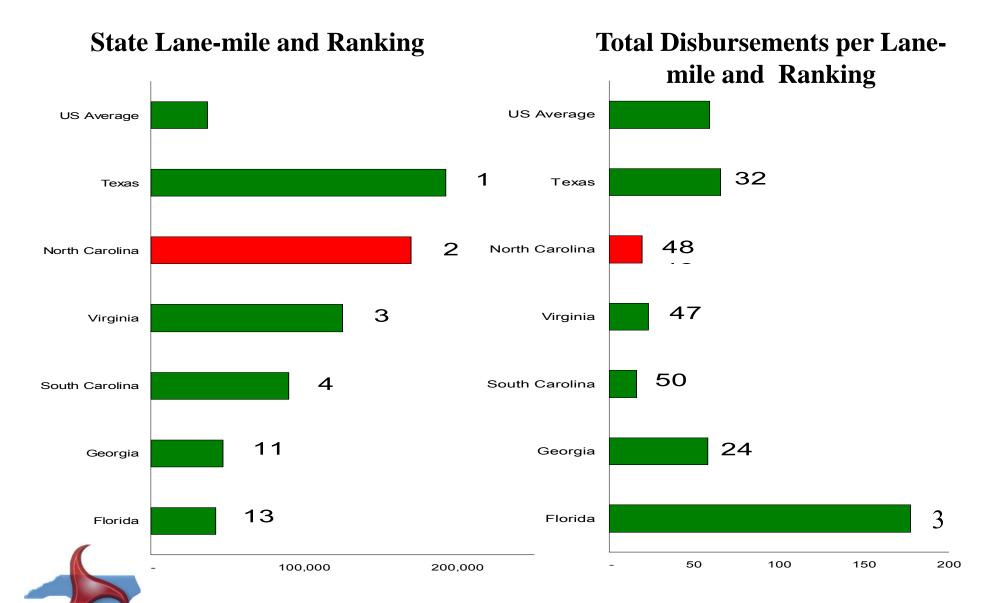


State Transportation System - Largest Capital Asset
Per State CAFR - Over \$40B Invested
Replacement Value - \$450B
Economic Value - \$\$\$\$\$\$\$\$\$\$\$\$\$(Commerce/Jobs/Lifestyle)

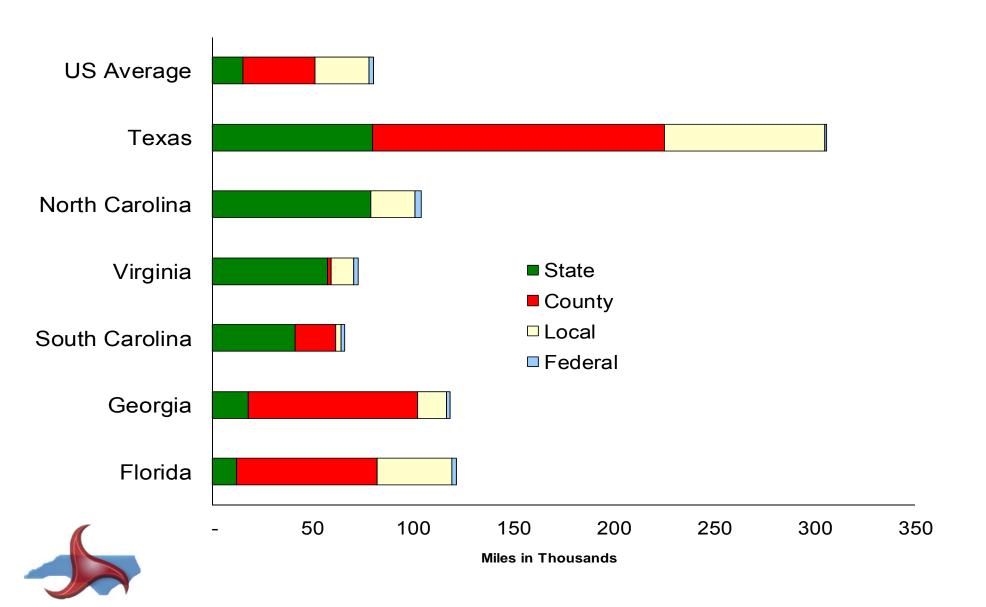




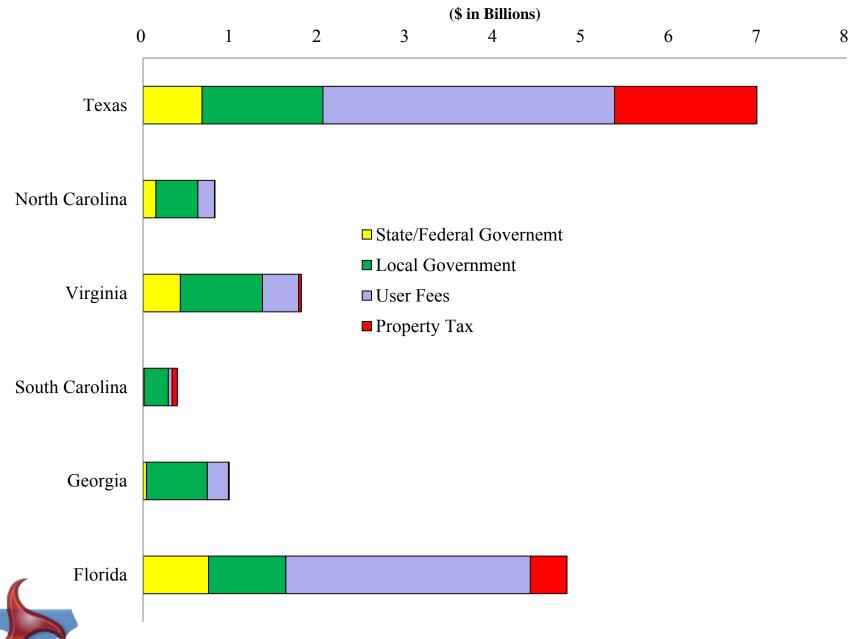
System Responsibility



Public Road Ownership



Local Government Highway Funding Sources



2010 Transportation Texas Institute (TTI) Urban Mobility Report - National Statistics

Congestion Costs

1982 - \$24 billion

2009 - \$115 billion

Wasted Fuel

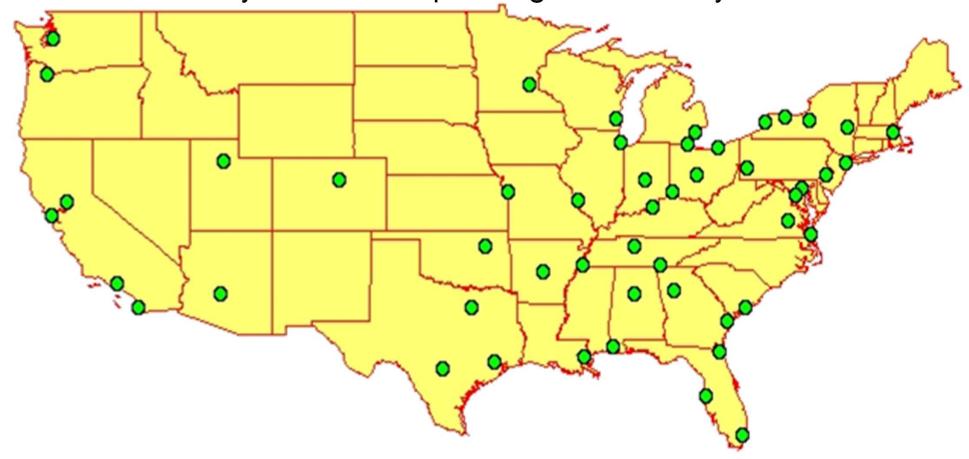
2009 - 3.9 billion gallons – equal to 130 days of flow in the Alaska Pipeline.

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Commuter Cost (Annual) Commuter Delay
1982 – 14 hours (NC- 5) 1982 - $351 (NC- $78)
2009 – 34 hours (NC- 26) 2009 - $808 (NC- $635)
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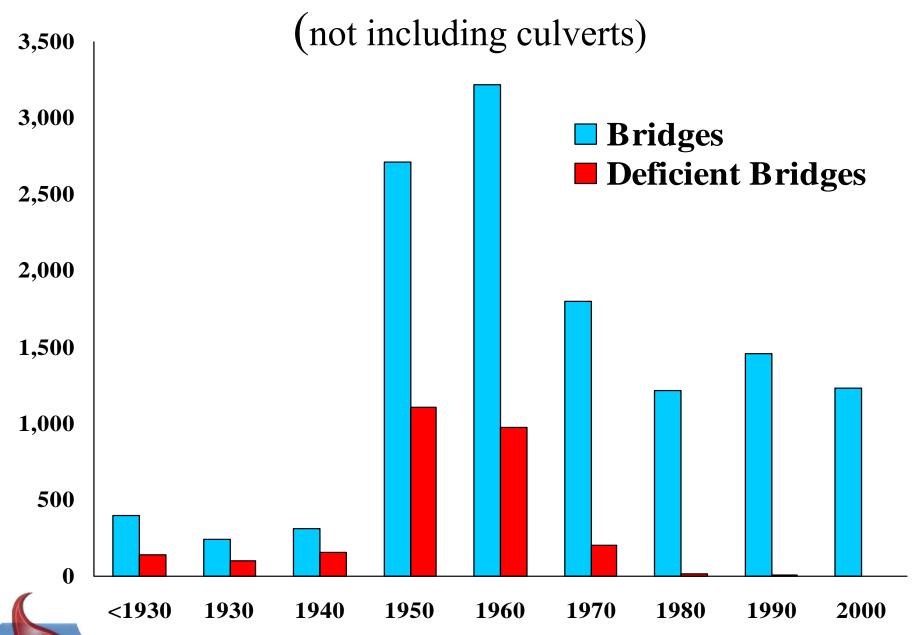
US Logistics Survey

No NC city ranked in top 50 logistics friendly cities

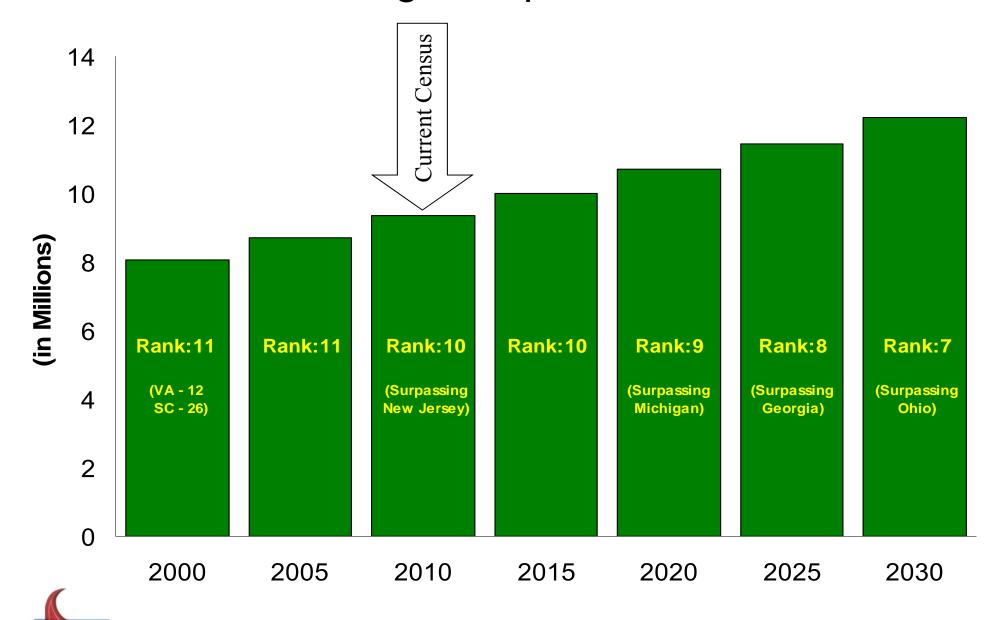




Age of NCDOT Bridges



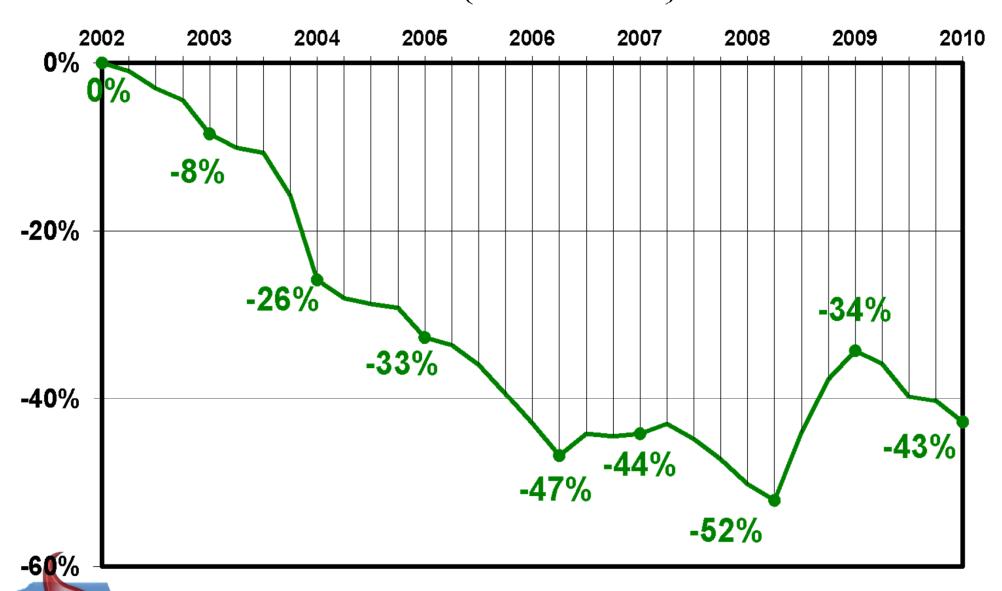
NC Ranking & Population Growth





10

Purchasing Power of NCDOT Highway Construction Dollars (Since 2002)



Increased Freight Growth - Driven By:

Consumption

Population

Production

• Expanding durable and non-durable goods manufacturing

Trade

Import and Export Growth

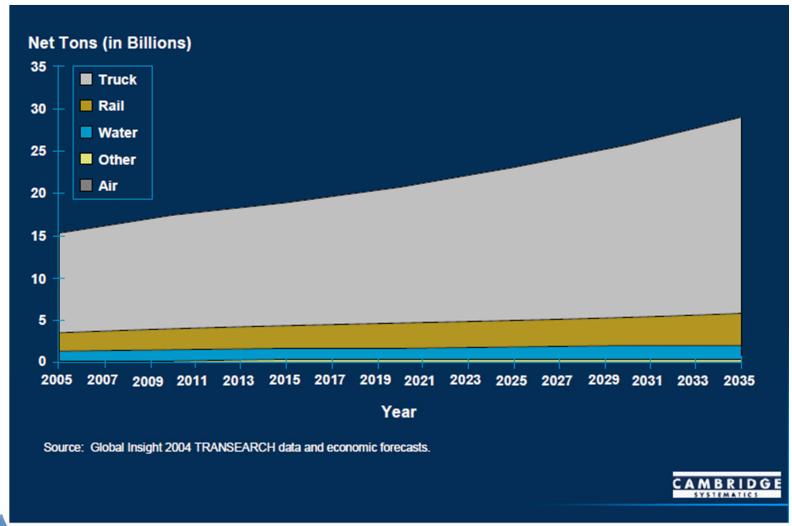
Supply Chain Practices

Changing Logistics Strategies



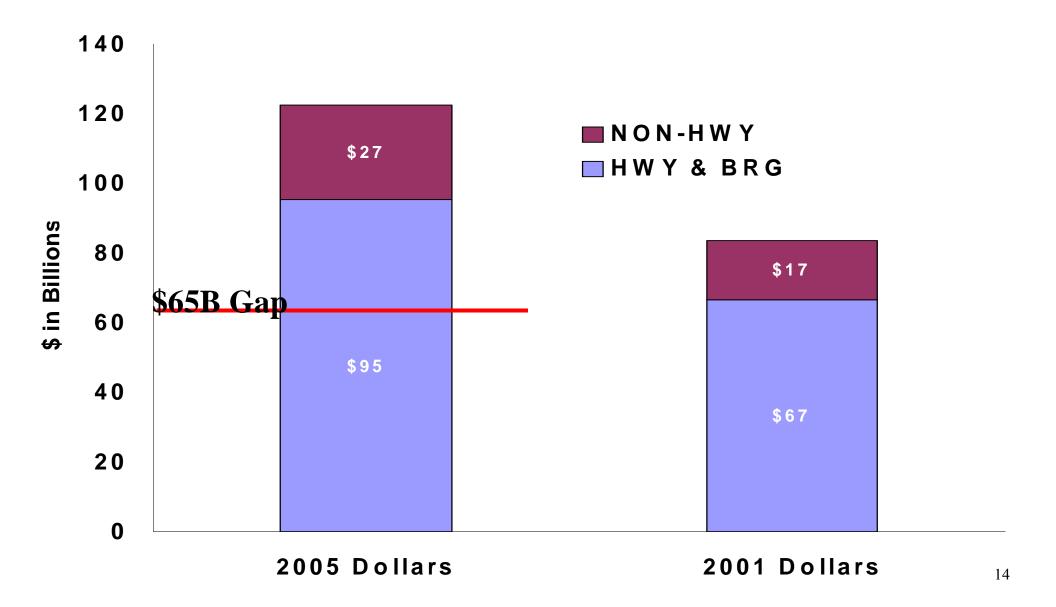
Freight Tonnage by Mode, 2005-2035

With moderate economic growth at about 2.8% CAGR Freight tonnage will nearly double by 2035





25-Year Needs



Strategic Prioritization Model

\$54 Billion in Total Transportation Needs Approx. \$10.5 Billion in Revenue (Years 2015-2020)

Highways

- **\$9B** in available revenue
- Data-driven
- MPO and RPO ranked projects

Non-Hwy Transportation

- \$1.5B in available revenue
- Units establish priorities
- Coordinated with MPOs

- **\$45B** in needs
 - > 1,100 projects = \$38B
 - \triangleright Other highway needs = \$7B
- \$9B in needs
- ➤ 900 Non-Highway Projects



Transportation Outlook

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Transportation Funding Equity

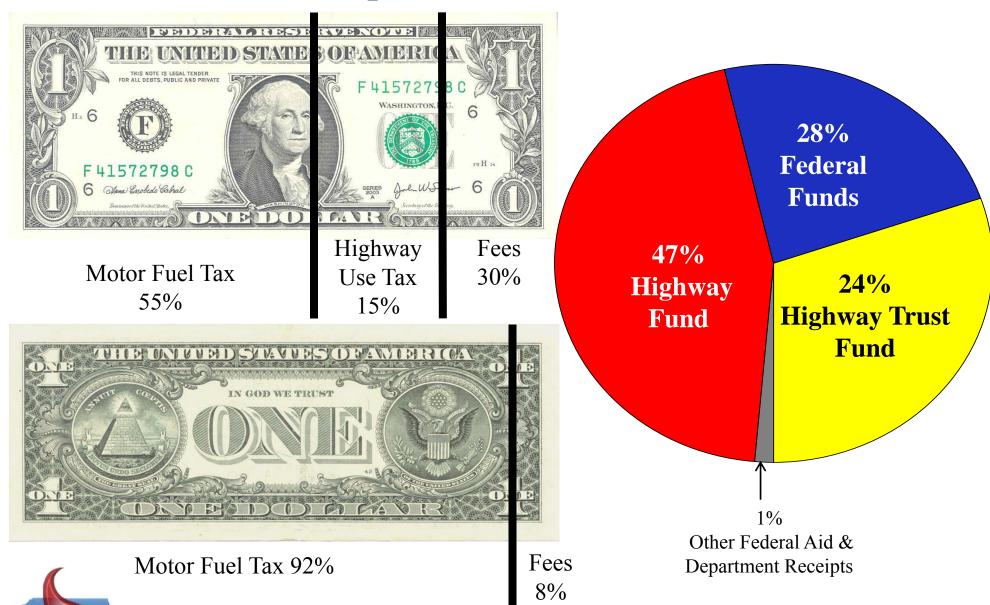
Cash Management

Finance Strategy

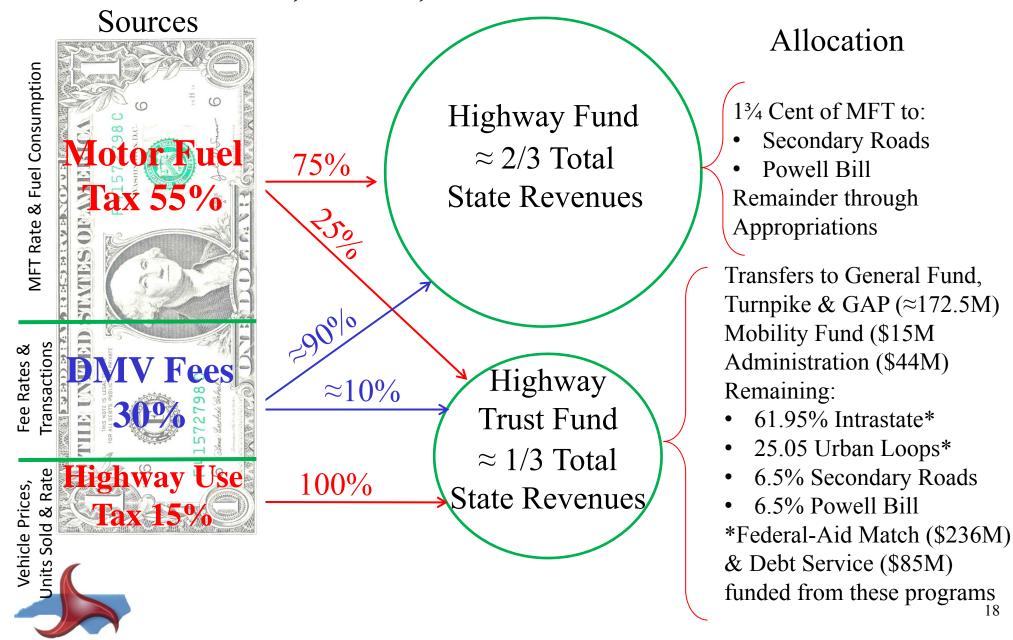
Conclusions



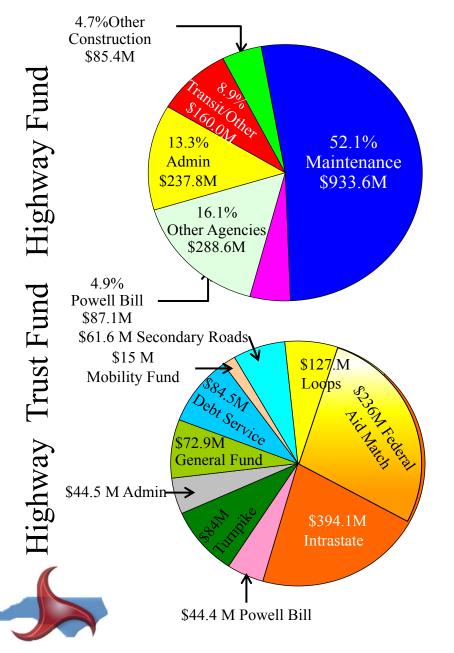
State Transportation Revenue Sources



Sources, Funds, Allocation & Distribution



Sources, Funds, Allocation & Distribution (Cont.)



Distribution

Maintenance

90% Mileage + 10% Population

Contract Resurfacing

50% Needs + 37.5% Mileage + 12.5% Population

Secondary Road Construction

County Mileage/Statewide Population

Powell Bill

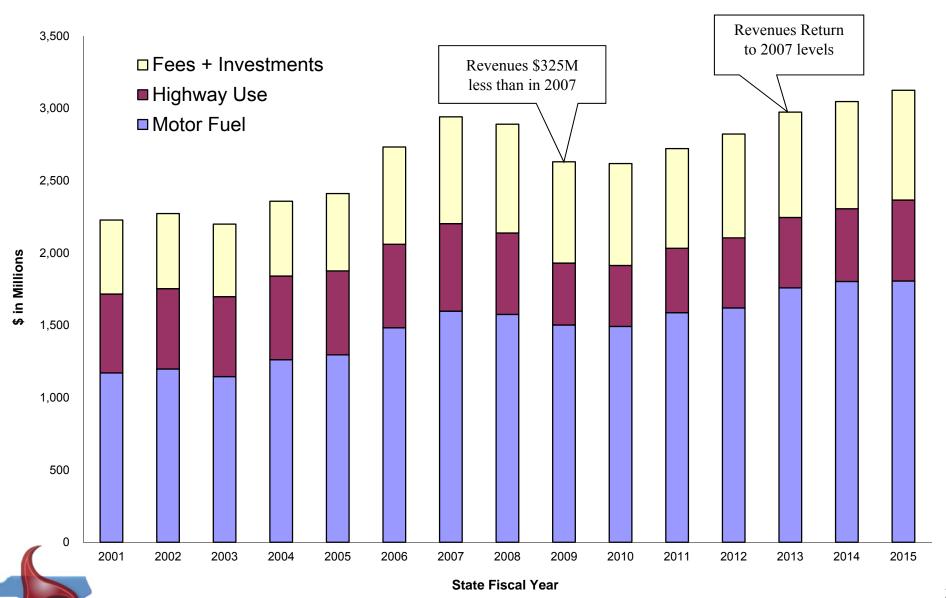
75% Population + 25% Mileage

Equity Formula

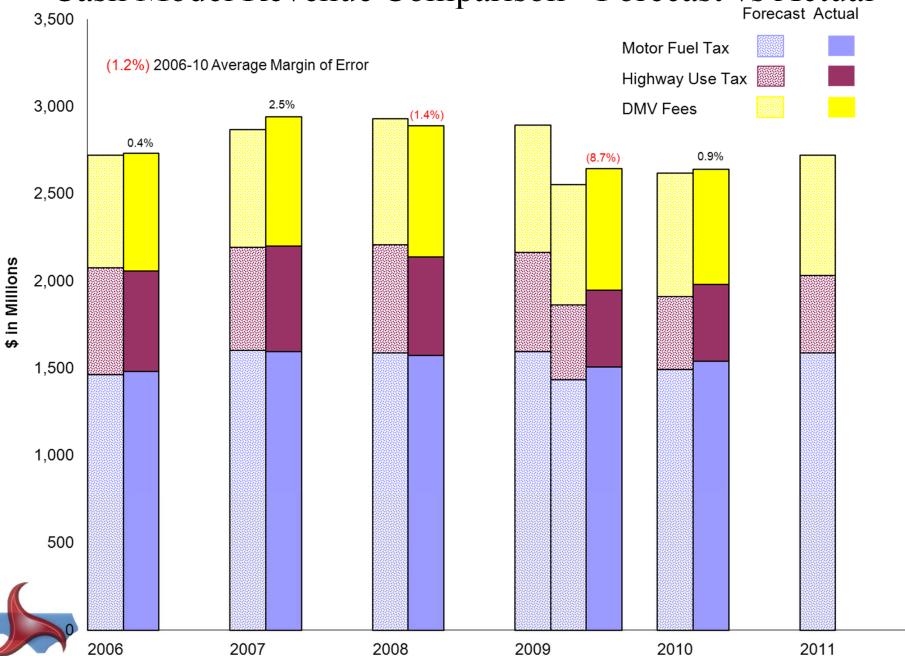
50% Population + 25% Remaining Mileage + 25% Equal Share

Transportation Revenue Sources

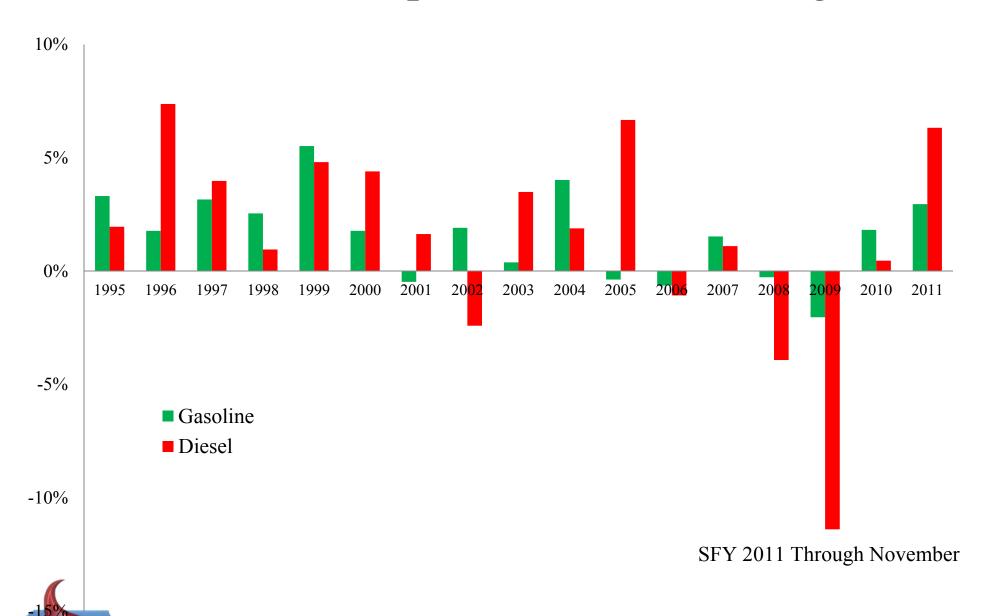
2001 to 2010 - Actual 2011 to 2015 - Forecasted



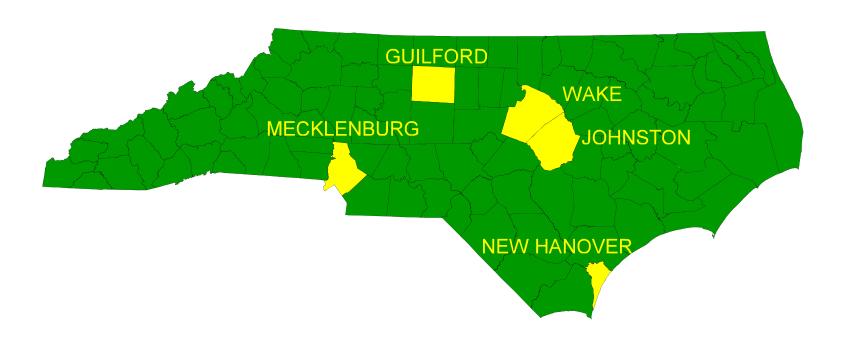
Cash Model Revenue Comparison - Forecast vs Actual



Fuel Consumption – Annual Change

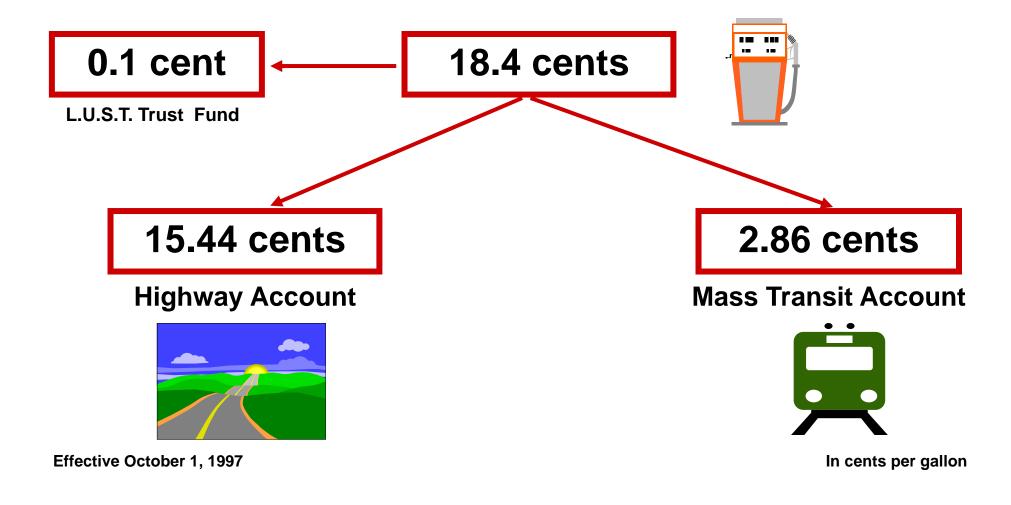


Motor Fuel Tax Collection Terminal Locations



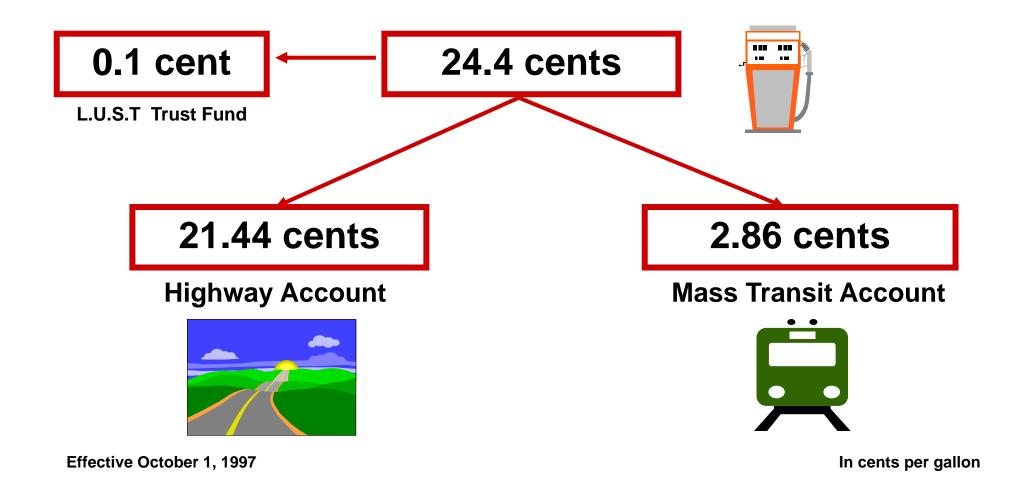


Federal Gasoline Tax



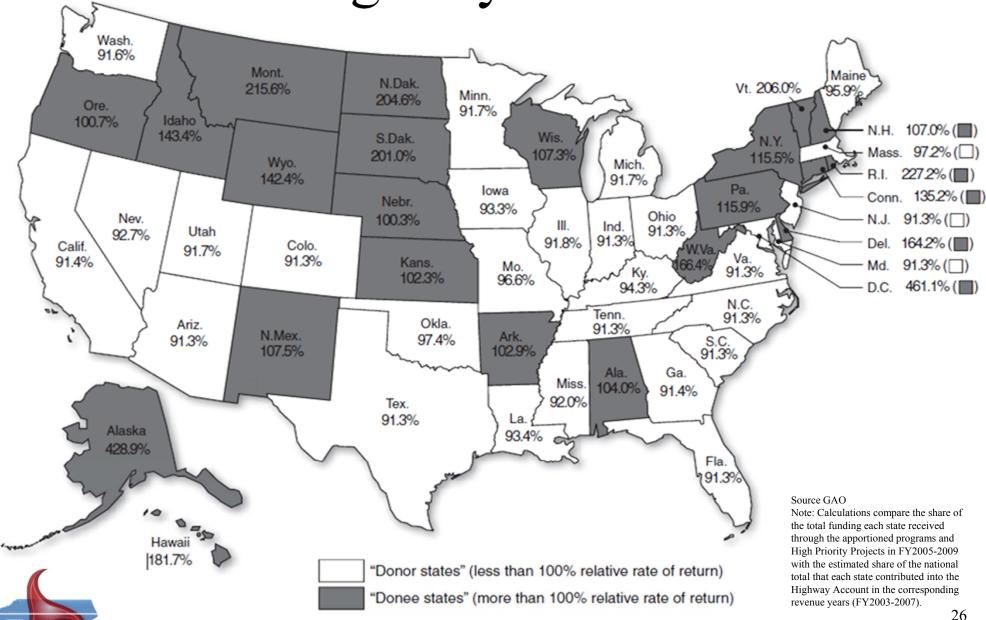


Federal Diesel Tax





Federal Highway Rate of Return



State and Community Highway Safety Grants Highway Safety Research and Development Occupant Protection Incentive Grants (Sec. 405) Safety Belt Performance Grants (Sec. 406) State Traffic Safety Information System Improvements (Sec. 408) Alcohol-Impaired Driving Countermeasures Incentive Grant Program (Sec. 410) National Driver Register (Chapter 303 of 49 USC) High Visibility Enforcement (Sec. 2009 of Act) Motorcyclist Safety (Sec. 2010 of Act) Child Safety and Child Booster Seat Safety Incentive Grants (Sec. 2011 of Act) Administrative Expenses for Programs under Chapter 4 of 23 USC

Metropolitan & Statewide Planning (5303, 5304, 5305) Urbanized Area Formula Grants (5307)

Clean Fuels Grant Program (5308)

Major Capital Investments (New Starts) (5309(d))

Major Capital Investments (Small Starts) (5309(e))

Fixed Guideway Modernization (5309)

Bus and Bus Facilities (5309, 5318)

Formula Grants for Special Needs for Elderly Individuals and Individuals with Disabilities (5310)

NHTSA

Nonurbanized Area Formula Grants (5311)

Rural Transit Assistance Program (5311((b)(3)))

Public Transportation on Indian Reservations (5311(c))

Transit Cooperative Research Program (5313)

National Research & Technology Program (5314) Job Access and Reverse Commute Program (5316)

New Freedom Program (5317)

Alternative Transportation in Parks and Public Lands (5320)

Alternatives Analysis (5339)

University Transportation Centers Program (TEA-21 5505)

Over the Road Bus Program/Over the Road Bus Accessibility (3038)

National Fuel Cell Technology Development Program (SAFETEA-LU 3045)

FTA



Motor Carrier Safety Grants (49 USC

Administrative Expenses (49 USC 31104)

Commercial Driver's License Program Improvement Grants (49 USC 31313)

Border Enforcement Grants (49 USC 31107)

Performance and Registration Information System Management Grant Program (49 USC 31109)

Commercial Vehicle Information Systems and Networks Deployment (4126 of Act)

Safety Data Improvement Grants (Sec. 4128 of Act)

Commercial Driver's License Information System Modernization (49 USC 31309)

Chapter 55 of 49 USC, Intermodal Transportation (GF)

FHWA

Interstate Maintenance Program (Sec. 119 & 104(b)(4))

Interstate Maintenance Discretionary Program (Takedown) (Sec. 118(c))

National Highway System (Sec. 103 & 104(b)(1))

Alaska Highway (Takedown) (Sec. 104(b)(1)(A))

Territorial Highway Program (Takedown) (Secs. 1118 of Act & 104(b)(1)(A))

Bridge Program (Sec. 144)

Bridge Setaside for Designated Projects (Takedown) (Sec 144(g))

Off-system Bridges and Completion of Warwick Intermodal Station (Setaside of NLT 15%) (Sec 144(g)(3)(A))

Surface Transportation Program (Sec. 133 & 104(b)(3))

On-the-Job Training/Supportive Services (Takedown) (Sec. 140(b))

DBE Training (Takedown) (Sec. 140(c))

Congestion Mitigation and Air Quality Improvement Program (Sec. 149 & 104(b)(2)

Highway Safety Improvement Program (Sec. 148 & 104(b)(5))

Elimination of Hazards and Installation of Protective Devices at Railway-Highway Crossings (Takedown) (Sec. 130)

Protective Devices at Railway-Highway Crossings (50% Setaside) (Sec. 130(e))

High Risk Rural Roads (Setaside) (Sec. 148(f))

Appalachian Development Highway System (Sec. 170 & Subtitle IV of 40 USC)

Recreational Trails Program (Sec. 206)

Metropolitan Planning (takedown from various

Emergency Relief (permanent authorization from GF)

Federal Lands Highways Program

Indian Reservation Roads (Sec. 204)

Park Roads and Parkways (Sec. 204)

Refuge Roads (Sec. 204)

Public Lands Highways (Sec. 204)

Public Lands Discretionary (34% Setaside) (Sec. 202(b))

Forest Highways (66% Setaside) (Secs. 202(b) & 134 of STURAA)

National Corridor Infrastructure Improvement Program (Sec. 1302 of Act)

Coordinated Border Infrastructure Program

National Scenic Byways Program (Sec. 162)

Construction of Ferry Boats and Ferry Terminal Facilities (Sec. 147)

Puerto Rico Highway Program (Sec. 165)

Projects of National and Regional Significance (Sec. 1301 of Act)

High Priority Projects Program (Sec. 117 and Sec. 1702 of Act)

Safe Routes to School Program (Sec. 1404 of Act)

Deployment of Magnetic Levitation Transportation Projects (Sec. 1307) STA

Highways for LIFE (Sec. 1502 of Act)

Highway Use Tax Evasion Projects (Sec. 143)(Sec. 1115)

Operation Lifesaver (Setaside from STP in 2005)

Rail-Highway X-ing Hazard Elim. in High Speed Rail Corridors (Sec. 104(d)(2)) (STP Takedown in 2005)

Equity Bonus Program (Sec. 105)

Revenue Aligned Budget Authority (Sec. 110)

Transportation, Community, and System Preservation

Indian Reservation Road Bridges (Sec. 202)

Truck Parking Facilities

Freight Intermodal Distribution Pilot Grant Program

Delta Region Transportation Development Program

Work Zone Safety Grants

Transportation Infrastructure Finance and Innovation Act Amendments (Secs. 601-609)

Value Pricing Pilot Program (Sec. 1012(b) of ISTEA)

National Historic Covered Bridge Preservation

Additional Authorization of Contract Authority for States with Indian Reservations (Sec. 1214(d)(5)(A) of

Nonmotorized Transportation Pilot Program

Grant Program to Prohibit Racial Profiling

Transportation Projects (ssambn to make specified

Denali Access System Program

Surface Transportation Research Program (Secs. 502, 503, 506, 507, 509, 510 and Secs. 5201, 5203, 5204, 5309, 5501-5504, 5506, 5511, 5512, 5513 of Act)

Training and Education (Sec. 504 and Sec. 5211 of Act)

Bureau of Transportation Statistics (Sec. 111 of Title 49)

University Transportation Research (Secs. 5505-5506 of

Intelligent Transportation Systems Research (Subtitle C of Title V of Act)

Current Federal **Programs**

FHWA FTA

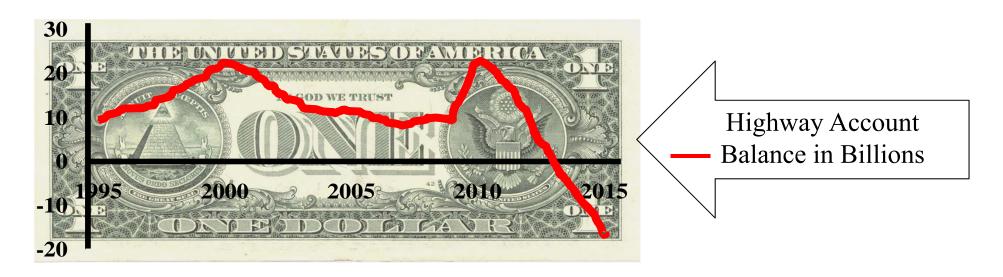
FRA

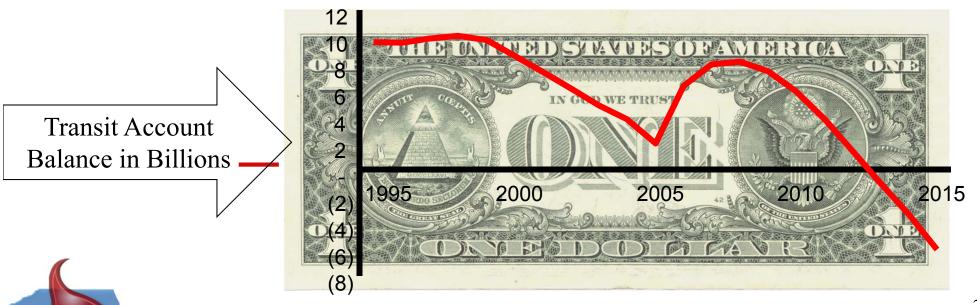
NHTSA

FMCSA

Total 108

Federal Trust Fund Outlook





Federal Reauthorization Status

- 2012 Budget
 - Proposal will be released on February 14
- Authorization
 - SAFETEA-LU Expired 9/30/2009
 - Deadlock over Financing Plan
 - Size of Multi-modal Program
 - Diversified Revenue Portfolio
 - Sustainability
- Appropriation
 - 3rd CR through 3/4/2011 (155/365th of FFY 2010 Funding)
 - Loss of "Firewall"
 - Earmarks are almost certainly dead

Potential Funding Reductions

Highway Programs

National Impact \$7B

North Carolina Share

FFY 2011 \approx \$190M (or 20% of FFY 2010)

FFY 2012 ≈ \$200M (or 21% of FFY 2010)

FFY 2013 ≈ \$220M (or 23% of FFY 2010)

Reductions could start in FFY 2011

Transit Programs

National Impact \$2.5B

North Carolina Share

FFY 2011 \approx \$21M (or 23% of FFY 2010)

FFY 2012 ≈ \$21M (or 23% of FFY 2010)

FFY 2013 ≈ \$21M (or 23% of FFY 2010)

Reductions could start in FFY 2011

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North Carolina Highway Trust Fund

HB 399 became law on July 27, 1989 Four Goals established:

- Complete the "Intrastate Highway System"
- Build multi-lane connector or "Loop" roads near seven major urban areas (Asheville, Charlotte, Durham, Greensboro, Raleigh, Wilmington and Winston-Salem)
- Pave State Maintained Dirt Roads
- Increase by 50% Street Aid to Municipalities allocation (Powell Bill Funds)



North Carolina Highway Trust Fund (continued)

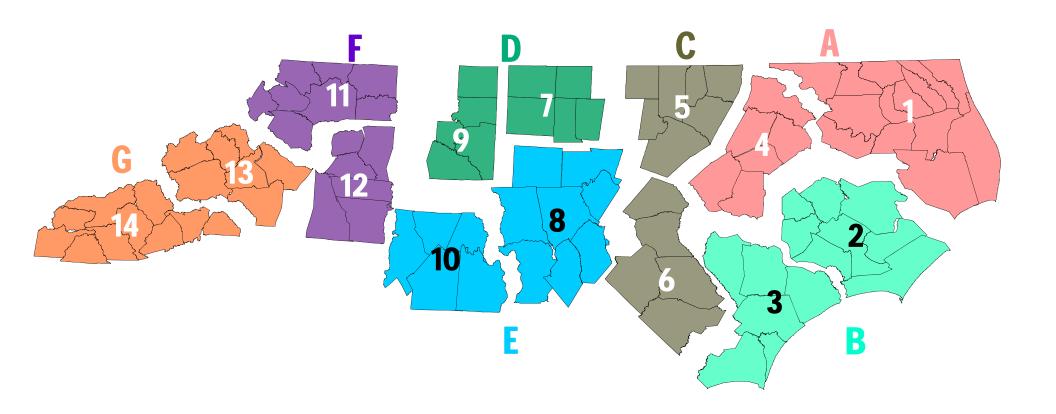
Established Distribution (Equity) Formula

- Applies To All Funds
- Established Seven Regions Within the State
- Distributed as follows

	Completed Intrastate System Mileage	
Current at 77%	Until 90%	After 90%
Population ¹	50%	66%
Equal Share	25%	34%
Remaining Miles To Complete	25%	-

¹ As Certified by the State Demographer

Relationship Between Divisions and Funding Regions



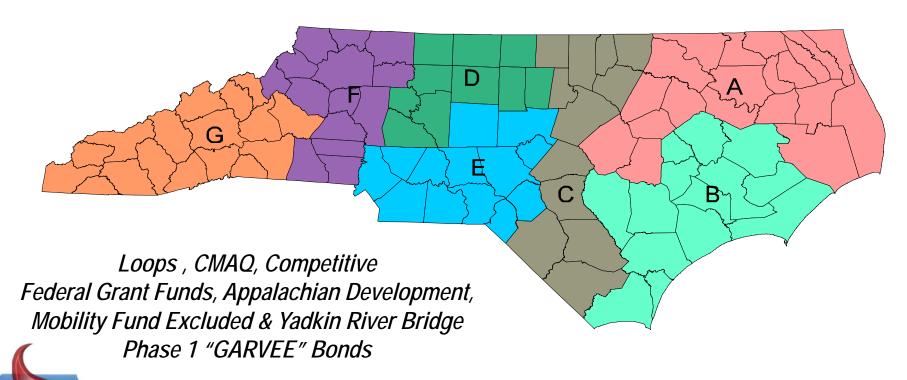


1989 Equity Formula

50%
POPULATION OF REGION
AS PERCENT OF STATE

SYSTEM
MILES

25%
REMAINING
INTRASTATE
SYSTEM
MILES

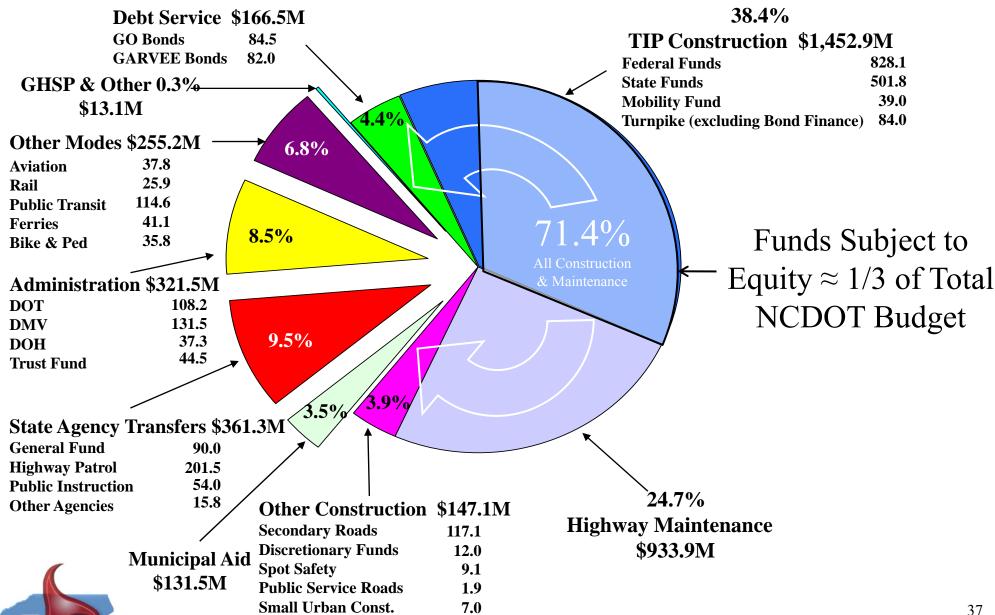


Exemptions to Distribution Formula

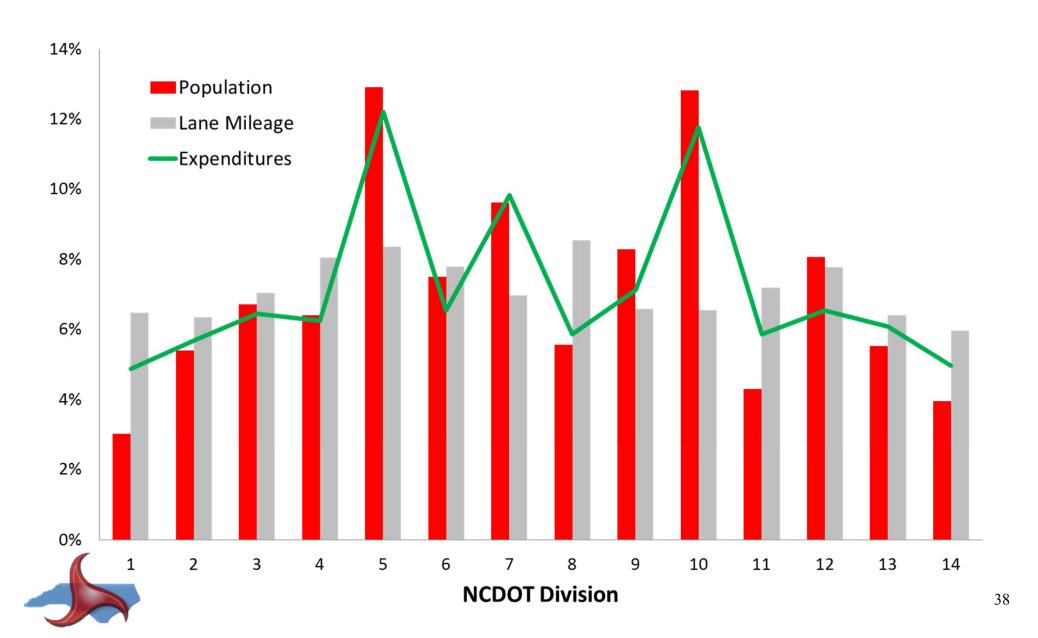
	Effective Date
Urban Loops	Original law
Competitive Awards or Discretionary Grants through Federal Appropriations	July 1, 1999
Federal Congestion Mitigation and Air Quality funds (CMAQ)	July 1, 2000
Yadkin River Bridge Phase I "GARVEE" Bond Payments	July 1, 2010
Appalachian Development Highway System Funds	July 1, 2010
Mobility Fund	July 1, 2010

[•] NOTE: The Equity Formula only applies to about a third of DOT Expenditures. The General Assembly and the Department have created other formulas that apply to DOT expenditures on maintenance, rail, transit, aviation, etc. Turnpike Gap Funding is also exempt from Equity Distribution.

NCDOT Budget & Equity Formula



All NCDOT Expenditures 1990-2010



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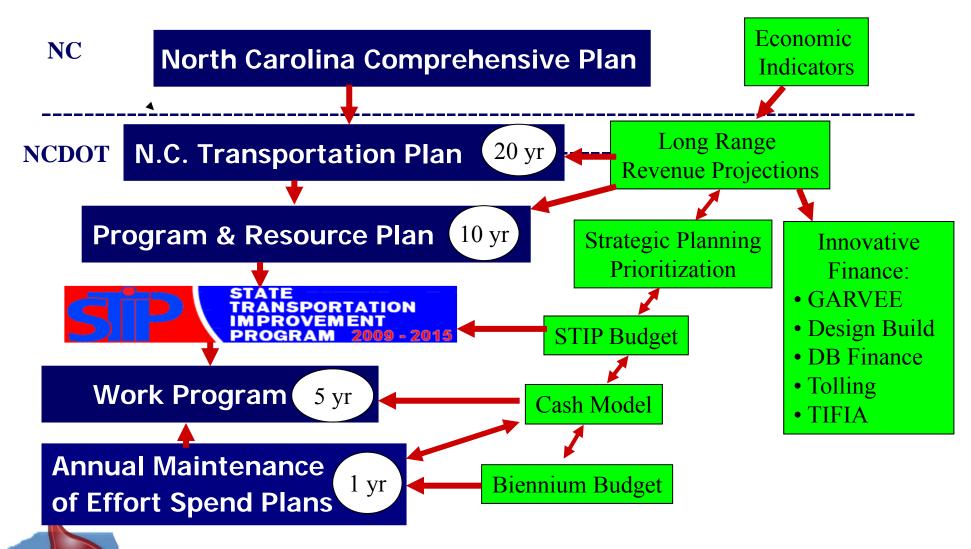


Benefits of Cash Management

- Promotes sound financial management
- Integrates all business functions
- Maximizes cash to deliver projects and programs
- Provides interactive planning and forecasting tools
- Enables innovative financing
- Establishes management controls to minimize financial risk



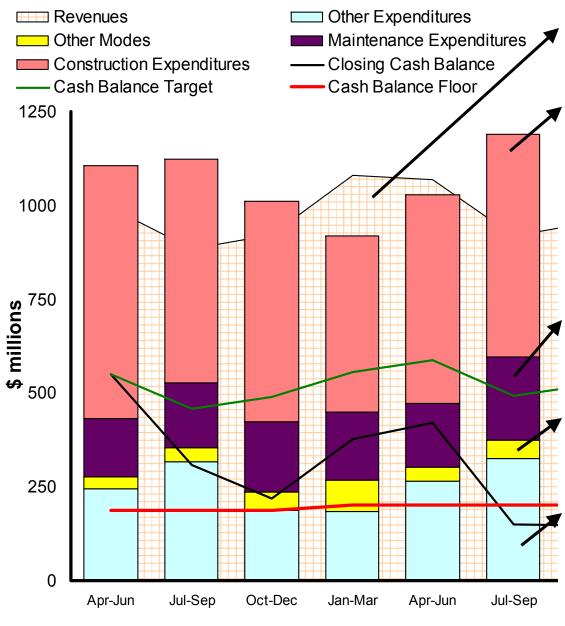
NCDOT Financial Planning & Cash Model Fully Integrated



Cash Management Legislation

- SB1005 created financial management policies 2002 Session
 - Authorized combining of Highway Fund & Highway Trust dollars to maximize program delivery
 - Cash flow basis authorized projects to be programmed, awarded, and paid over time
 - Required the establishment of management controls & forecasting procedures
 - Established cash target equivalent to 12% of anticipated revenues plus estimated Powell Bill allocation
- NCGS 143C-6-11 Established cash balance floor equivalent to approximately 5% of anticipated revenues





REVENUES

State revenues, Federal Aid, GARVEE, Tolls Partnerships

CONSTRUCTION EXPENDITURES

GARVEE Expenditures & Debt Service
Ecological Enhancement Program
NC Moving Ahead & SB 1005
TIP (PE, ROW, Construction)
Other Construction
Turnpike Authority
Internal Orders
CMAQ

MAINTENANCE EXPENDITURES

Primary, Secondary, & Urban Systems
Contract Resurfacing
System Preservation & Disaster Funding

OTHER MODES

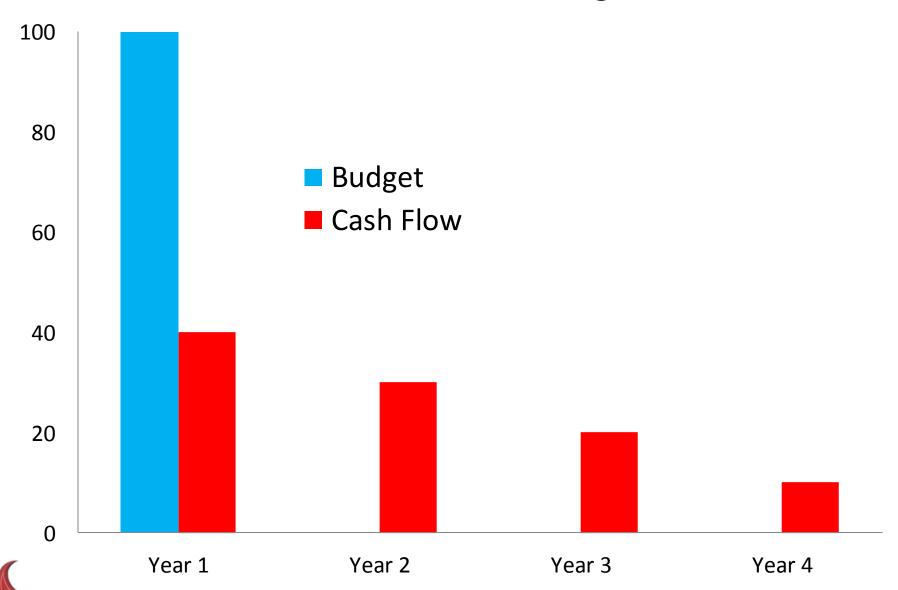
Public Transportation & New Starts Ferry, Railroad and Airports

OTHER EXPENDITURES

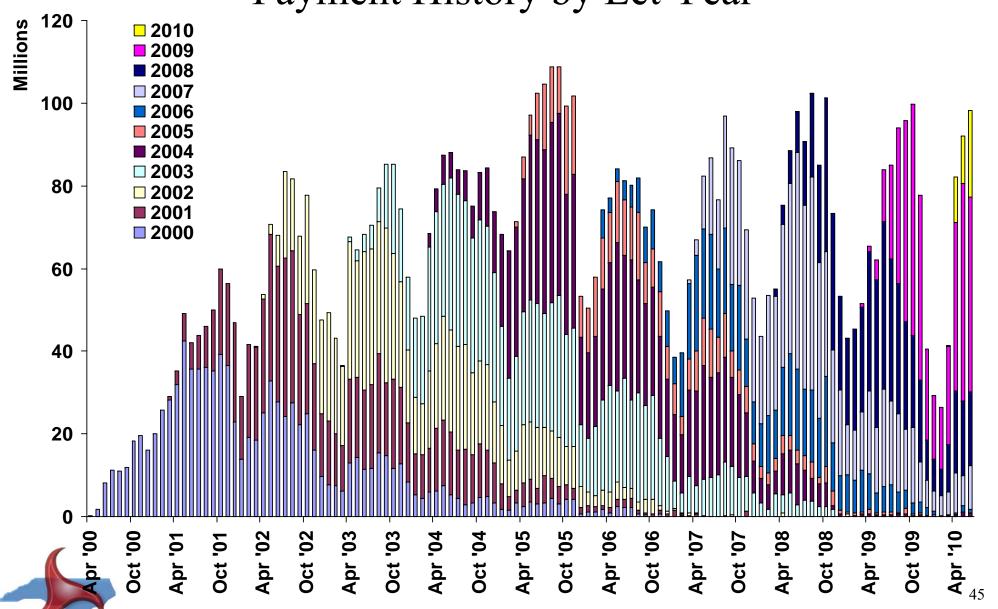
Administration
State Agencies, General Fund & Turnpike Transfers
State aid to municipalities
Debt Service and Other Programs



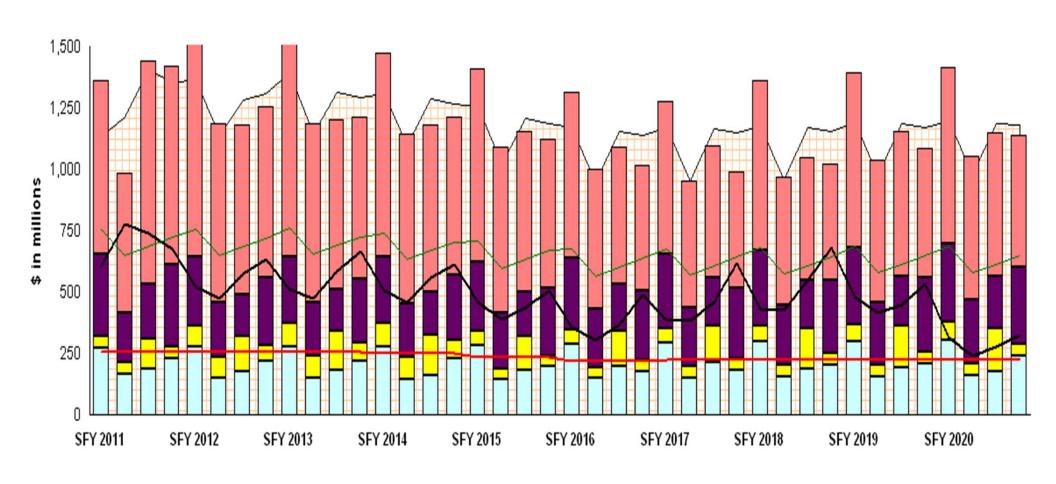
Cash Flow vs. Budget



Construction Contractors Payment History by Let Year



Cash Model - 10 Year Work Program SFY 2011 - SFY 2020





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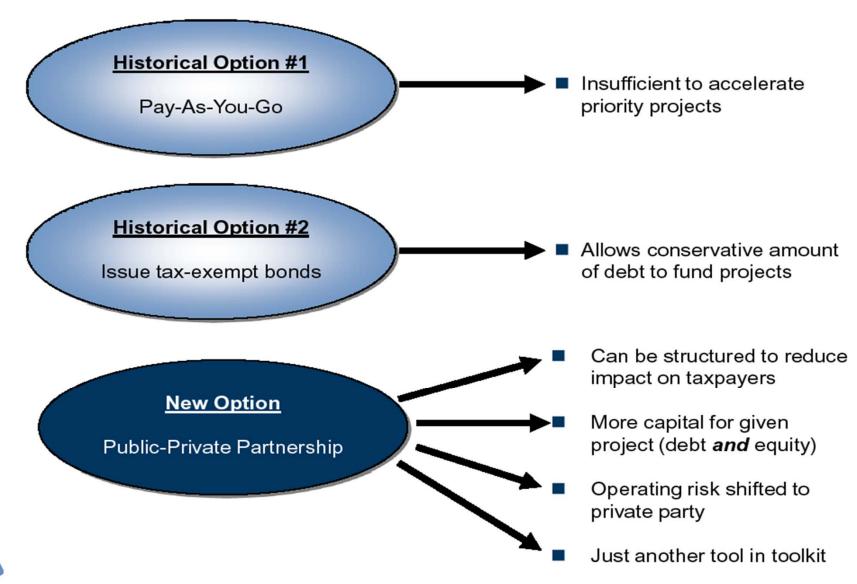


Finance Strategy

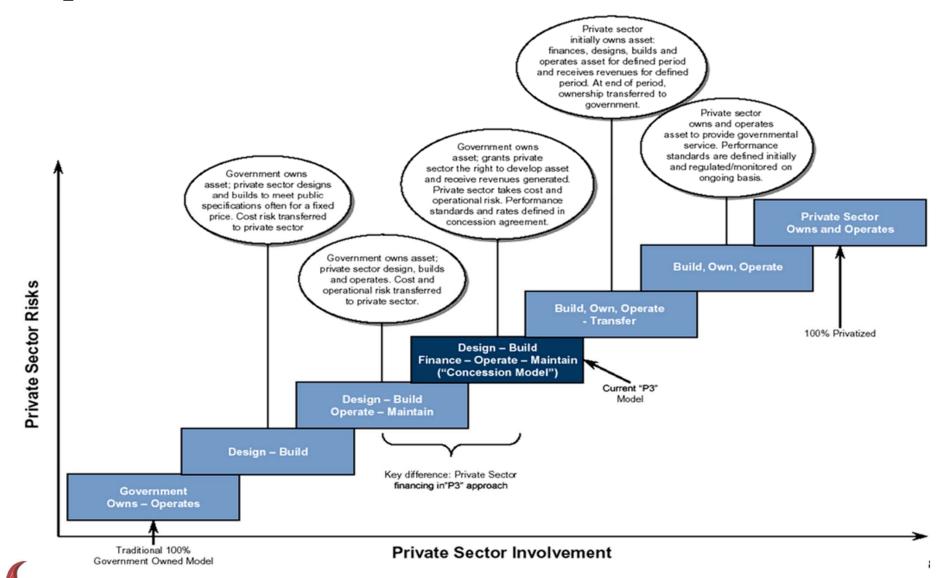
- Prioritization of Existing Resources
 - ➤ Policy to Projects Outcomes Based
 - ➤ Value Engineering
 - > Asset Management
 - > Funding Flexibility
 - ➤ Outsourcing
- Public/Private Resources (P3)
 - ➤ Municipal Agreements
 - ➤ Design Build/Design Build Finance
 - ➤ P3 (Public & Private)
 - > Sponsorships
- Sustainable Leverage
 - ➤ GARVEE Bonds
 - ➤ Toll Financing



Public-Private Partnerships (P3) Provide a new source of capital for state and local governments



Spectrum of Private Sector Risk and Involvement



Active P3's within NCDOT

- Design Build / Design Build Finance
 - 55 Design Build projects active/complete to date
 - 14 Projects Advertised for future award
 - Yadkin River Bridge savings \$95M
 - Monroe Connect/Bypass bid savings \$100M
 - Charlotte projects accelerated up to 7 years with cost savings \$130M
- Contractual Agreements
 - Authorize public/private sector role in delivery and financing of transportation projects (30 50 per month)
- Interstate Maintenance
 - Contractor maintains 135 miles (I-77, I-85, I-485 & I-277)
 Mecklenburg & Cabarrus counties
- Randolph County Rest Area
 - Operated by Safe-T-Concierge



Turnpike Authority - Mid-Currituck Bridge

Public Private Partnership

Financial analysis including evaluation of private financing versus



Future Initiatives - Potential P3 Opportunities



Charlotte "Gateway Station" commuter rail and transit multi-modal center









I-77 HOT Lanes

Rail Initiatives/Opportunities

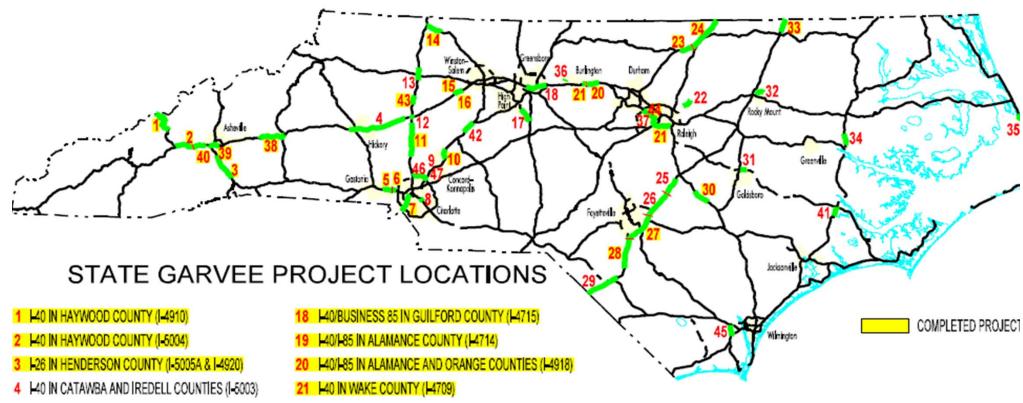


City of Charlotte LYNX Light Rail Passenger Service exceeds national growth rates



- NCDOT adds third passenger service Raleigh to Charlotte
 - Ridership increases 46%
- \$545M to Accomplish Corridor Plan



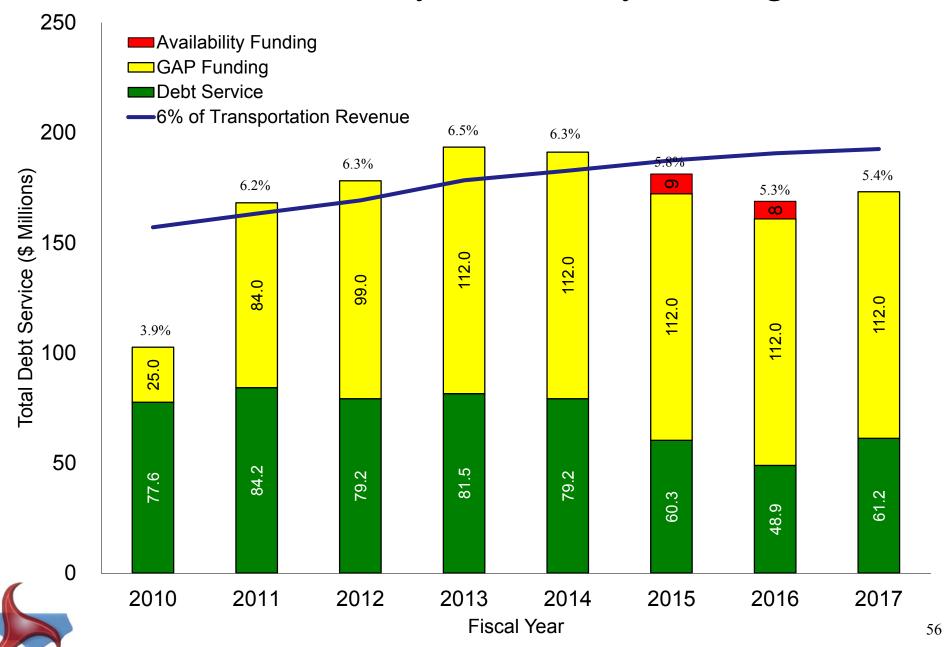


- 5 L85 IN GASTON COUNTY (I-5007)
- 6 1-85 IN MECKLENBURG COUNTY (1-5006)
- 7 L-77 IN MECKLENBURG COUNTY (1-4720)
- 8 US 74 (INDEPENDENCE BLVD) WIDENING (U-209B)
- 9 L85 WIDENING IN CABARRUS COUNTY (I-3803B)
- 185 IN ROWAN COUNTY (1-4718)
- 11 F77 IN IREDELL COUNTY (F4723)
- 2 |40/|-77 INTERCHANGE IN STATESVILLE (|-3819A)
- 3 |-77 |N YADKIN COUNTY (|-2808A)
- 4 F74 IN SURRY COUNTY (1-5002)
- 5 | 40 IN DAVIE COUNTY (1-3600)
- 6 H40/NC 801 INTERCHANGE IN DAVIE COUNTY (B-3637)
- 7 US 311 / FUTURE L74 IN RANDOLPH COUNTY (R-2606B)

- 22 US 401 ROLESVILLE BYPASS IN WAKE COUNTY (R-2814B)
- 23 L85 IN VANCE COUNTY (L2810)
- 24 I-85 IN VANCE AND WARREN COUNTIES (I-4904)
- 25 L95 IN HARNETT COUNTY (L4906)
- 26 L95 IN CUMBERLAND COUNTY (L4915)
- 27 L95 IN CUMBERLAND COUNTY (L4917)
- 28 | 195 | N ROBESON COUNTY (1-4711)
- 29 F95 IN ROBESON COUNTY (F4914)
- 30 H40 IN SAMPSON COUNTY (H5001 B)
- 31 US 70 GOLDSBORO BYPASS IN WAYNE COUNTY (R-2554 BA)
- 32 ROCKY MOUNT NORTHERN CONNECTOR IN NASH COUNTY (R-2823) 45 US 17 WILMINGTON BYPASS (R-2633A)
- 33 L95 IN NORTHAMPTON COUNTY (1-4913)
- 34 US 17 IN BEAUFORT COUNTY (R-2510 C)

- 35 NC 12 OREGON INLET BRIDGE REPAIRS AND REPLACEMENT (B-5014A & B-250)
- 36 NEW ROUTE IN ALAMANCE COUNTY (U-3110B)
- 37 |-40 |N WAKE COUNTY (|-4744)
- 38 I-40 IN MCDOWELL COUNTY (I-4908BB)
- 39 |-40 IN BUNCOMBE COUNTY (1-5108)
- 40 |-40 |N BUNCOMBE COUNTY (|-5109)
- 41 US 17 NEW BERN BYPASS IN CRAVEN COUNTY (R-2301A)
- 42 I-85 IN ROWAN AND DAVIDSON COUNTIES (I-2304AC)
- 43 |-77 |N |REDELL COUNTY (|-5106)
- 44 I-40 & SR1728 IN WAKE COUNTY (I-5112)
- 46 I-485 CHARLOTTE OUTER LOOP (R2248E)
- 47 I-485/I-85 INTERCHANGE (R-2123CE)

Debt Affordability 2010 Study Findings



Conclusion

- Finance has an Integral Role in Achieving NCDOT Goals and Performance
 - Fiscally Balanced, 10-Year Work Plan
- Cash Model is Important Tool for Program Delivery and Contingency Planning
- Strategic Use of Innovative Finance has Accelerated Project Delivery and Saved \$millions



Key Issues and Opportunities

- Sustainability of Gas Tax Revenues
 - Address Changing Technology
 - Transition Strategy
- Impact of Federal Rescissions and Budget Cutbacks
- Funding Flexibility to Achieve Performance Outcomes
 - Both Federal and State Dollars
- Protect and Enhance NC's Largest Economic Asset
 - Continued Focus on Resource Prioritization, Internal Efficiencies, & Outsourcing Opportunities
 - Broaden Strategic Use of Innovative Finance and Partnerships
 - Expand Ability to Recover Inflationary Costs as World Economy Recovers

